

# QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended June 30, 2003

TO THE  
CASINO CONTROL COMMISSION  
OF THE  
STATE OF NEW JERSEY

# BALANCE SHEETS

AS OF JUNE 30, 2003 AND 2002  
(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>ASSETS</b>		
	Current Assets:		
1	Cash and cash equivalents. ....	\$ 35,349	\$ 39,426 *
2	Short-term investments. ....	-	-
3	Receivables and patrons' checks (net of allowance for doubtful accounts - 2003, \$ 5,784 ; 2002, \$ 8,104 ). .... NOTE 2 .....	54,738	22,006 *
4	Inventories. ....	3,316	3,510 *
5	Prepaid expenses and other current assets. ....	5,379	5,524 *
6	Total current assets. ....	98,782	70,466
7	Investments, Advances, and Receivables. .... NOTES 1 and 3. ....	132,746	120,819 *
8	Property and Equipment - Gross. .... NOTES 1 and 4. ....	1,251,059	1,197,928 *
9	Less: Accumulated Depreciation/Amortization. .... NOTES 1 and 4. ....	(586,147)	(547,763) *
10	Property and Equipment - Net. ....	664,912	650,165
11	Other Assets. .... NOTE 5. ....	17,806	17,829 *
12	Total Assets. ....	\$ 914,246	\$ 859,279
	<b>LIABILITIES AND EQUITY</b>		
	Current Liabilities:		
13	Accounts payable. ....	\$ 5,487	\$ 7,280 *
14	Notes payable. ....	-	-
	Current portion of long-term debt. ....		
15	Due to affiliates. ....	-	-
16	Other. ....	60	59
17	Income taxes payable and accrued. ....	-	-
18	Other accrued expenses. .... NOTE 6. ....	47,785	43,577 *
19	Other current liabilities. .... NOTE 7. ....	8,682	7,962 *
20	Total current liabilities. ....	62,014	58,878
	Long-Term Debt:		
21	Due to affiliates. .... NOTE 8. ....	583,500	583,500 *
22	Other. .... NOTE 8. ....	1,558	1,723
23	Deferred Credits. ....	-	-
24	Other Liabilities. .... NOTE 9. ....	1,910	2,431 *
25	Commitments And Contingencies. .... NOTE 1. ....	-	-
26	Total Liabilities. ....	648,982	646,532
27	Stockholders', Partners', Or Proprietor's Equity. ....	265,264	212,747
28	Total Liabilities And Equity. ....	\$ 914,246	\$ 859,279

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2003 (c)	2002 (d)	
	<b>REVENUE:</b>			
1	Casino .....	\$ 336,054	\$ 336,620	*
2	Rooms .....	22,782	24,813	*
3	Food and Beverage .....	47,300	46,295	*
4	Other .....	7,654	7,045	*
5	Total Revenue .....	413,790	414,773	*
6	Less: Promotional allowances .....	79,929	77,977	*
7	Net Revenue .....	333,861	336,796	*
	<b>COSTS AND EXPENSES:</b>			
8	Costs of Goods and Services .....	200,695	199,653	*
9	Selling, General, and Administrative .....	39,385	40,110	*
10	Provision for Doubtful Accounts .....	912	1,528	*
11	Total costs and expenses .....	240,992	241,291	*
12	Gross Operating Profit .....	92,869	95,505	*
13	Depreciation and amortization ..... NOTE 1...	20,614	19,216	*
	Charges from affiliates other than interest:			
14	Management fees ..... NOTE 10..	11,062	11,289	*
15	Other .....	---	---	
16	Income (Loss) from Operations .....	61,193	65,000	*
	Other Income (Expenses):			
17	Interest (expense) - affiliates ..... NOTE 8...	(24,469)	(24,478)	*
18	Interest (expense) - external .....	(132)	(135)	*
19	Investment alternative tax and related income (expense) - net .....	(2,460)	(3,522)	*
20	Non-operating income (expense) - net ..... NOTE 11..	5,578	4,165	*
21	Total other income (expenses) .....	(21,483)	(23,970)	*
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	39,710	41,030	*
23	Provision (credit) for income taxes .....	14,326	15,427	*
24	Income (Loss) Before Extraordinary Items .....	25,384	25,603	
25	Extraordinary items (net of income taxes) .....	---	---	
26	Net Income (Loss) .....	\$ 25,384	\$ 25,603	

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

## STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (A)	DESCRIPTION (b)	2003 (c)	2002 (d)
	<b>REVENUE:</b>		
1	Casino .....	\$ 178,439	\$ 173,534 *
2	Rooms .....	12,502	13,403 *
3	Food and Beverage .....	25,339	23,697 *
4	Other .....	4,025	3,491 *
5	Total Revenue .....	220,305	214,125 *
6	Less: Promotional allowances .....	42,863	39,485 *
7	Net Revenue .....	177,442	174,640 *
	<b>COSTS AND EXPENSES:</b>		
8	Costs of Goods and Services .....	101,408	100,713 *
9	Selling, General, and Administrative .....	20,148	20,121 *
10	Provision for Doubtful Accounts .....	490	552 *
11	Total costs and expenses .....	122,046	121,386 *
12	Gross Operating Profit .....	55,396	53,254 *
13	Depreciation and amortization ..... NOTE 1...	10,370	9,720 *
	Charges from affiliates other than interest:		
14	Management fees ..... NOTE 10..	5,888	5,949 *
15	Other .....	---	---
16	Income (Loss) from Operations .....	39,138	37,585 *
	Other Income (Expenses):		
17	Interest (expense) - affiliates ..... NOTE 8...	(12,259)	(12,158) *
18	Interest (expense) - external .....	(59)	(65) *
19	Investment alternative tax and related income (expense) - net .....	(1,220)	(1,819) *
20	Non-operating income (expense) - net ..... NOTE 11..	4,752	4,193 *
21	Total other income (expenses) .....	(8,786)	(9,849) *
22	Income (Loss) Before Income Taxes and Extraordinary Items .....	30,352	27,736 *
23	Provision (credit) for income taxes .....	10,627	9,847 *
24	Income (Loss) Before Extraordinary Items .....	19,725	17,889
25	Extraordinary items (net of income taxes) .....	---	---
26	Net Income (Loss) .....	\$ 19,725	\$ 17,889

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

## STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE SIX MONTHS ENDED JUNE 30, 2003

(UNAUDITED)

(\$ IN THOUSANDS)

Line (a)	Description (b)	Common Stock		Preferred Stock		Additional Paid - In Capital (g)	----- ----- ----- (h)	Retained Earnings (Accumulated Deficit) (i)	Total Stockholder's Equity (Deficit) (j)
		Shares (c)	Amount (d)	Shares (e)	Amount (f)				
1	Balance, December 31, 2001	100	\$ 1			\$ 128,260		\$ 136,883	\$ 265,144
2	Net Income - 2002							52,736	52,736
3	Contribution to Paid - In Capital								
4	Dividends							(78,000)	(78,000)
5	Prior Period Adjustments								
6	Distribution to PPE								
7									
8									
9									
10	Balance, December 31, 2002	100	1			128,260		111,619	239,880
11	Net Income - 2003							25,384	25,384
12	Contribution to Paid - In Capital								
13	Dividends								
14	Prior Period Adjustments								
15									
16									
17									
18									
19	Balance, June 30, 2003	100	\$ 1			\$ 128,260		\$ 137,003	\$ 265,264

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

# STATEMENT OF CHANGES IN PARTNERS' OR PROPRIETOR'S EQUITY

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2002 AND THE SIX MONTHS ENDED JUNE 30, 2003

(UNAUDITED)  
(\$ IN THOUSANDS)

**NOT APPLICABLE**

Line (a)	Description (b)	Contributed Capital (c)	Accumulated Earnings (Deficit) (d)	(e)	Total Equity (Deficit) (f)
1	Balance, December 31, 2001. ....				
2	Net Income (Loss) - 2002. ....				
3	Capital Contributions. ....				
4	Capital Withdrawals. ....				
5	Partnership Distributions. ....				
6	Prior Period Adjustments. ....				
7					
8					
9					
10	Balance, December 31, 2002. ....				
11	Net Income (Loss) - 2003. ....				
12	Capital Contributions. ....				
13	Capital Withdrawals. ....				
14	Partnership Distributions. ....				
15	Prior Period Adjustments. ....				
16					
17					
18					
19	Balance, June 30, 2003. ....				

The accompanying notes are an integral part of the financial statements.  
Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2003 (c)	2002 (d)
1	Net Cash Provided (Used) By Operating Activities .....	\$ 42,668	\$ 44,340
	Cash Flows From Investing Activities:		
2	Purchase of short-term investment securities .....	---	---
3	Proceeds from the sale of short-term investment securities .....	---	---
4	Purchase outflows for property and equipment .....	(17,293)	(34,380) *
5	Proceeds from disposition of property and equipment .....	373	235 *
6	Purchase of casino reinvestment obligations .....	(4,449)	(4,445) *
7	Purchase of other investments and loans/advances made .....	(16)	---
8	Proceeds from disposal of investments and collection of advances and long-term receivables .....	532	1,903 *
9	Cash outflows to acquire business entities .....	(420)	---
10	.....	---	---
11	Net book values of disposals .....	---	---
12	Net Cash Provided (Used) By Investing Activities .....	(21,273)	(36,687)
	Cash Flows From Financing Activities:		
13	Cash proceeds from issuance of short-term debt .....	---	---
14	Payments to settle short-term debt .....	---	---
15	Cash proceeds from issuance of long-term debt .....	---	---
16	Costs of issuing debt .....	---	---
17	Payments to settle long-term debt .....	(68)	(101)
18	Cash proceeds from issuing stock or capital contributions .....	---	---
19	Purchases of treasury stock .....	---	---
20	Payments of dividends or capital withdrawals .....	---	(78,000)
21	Change in payable to/receivable from affiliate .....	(25,159)	69,381 *
22	.....	---	---
23	Net Cash Provided (Used) By Financing Activities .....	(25,227)	(8,720) *
24	Net Increase (Decrease) In Cash And Cash Equivalents .....	(3,832)	(1,067) *
25	Cash And Cash Equivalents At Beginning Of Period .....	39,181	40,493 *
26	Cash And Cash Equivalents At End Of Period .....	\$ 35,349	\$ 39,426 *

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

	Cash Paid During Period For:		
27	Interest (net of amount capitalized) .....	\$ 24,601	\$ 24,613 *
28	Income taxes .....	\$ 14,326	15,427 *

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

Amended

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

8/29/03

## STATEMENTS OF CASH FLOWS

Page 2 of 2

FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

(UNAUDITED)  
(\$ IN THOUSANDS)

LINE (a)	Description (b)	2003 (c)	2002 (d)
	<b>Net Cash Flows From Operating Activities:</b>		
29	Net income (loss) .....	25,384	25,603
	Noncash items included in income and cash items excluded from income:		
30	Depreciation and amortization of property and equipment .....	20,614	19,216 *
31	Amortization of other assets .....	---	---
32	Amortization of Debt Discount or Premium .....	---	---
33	Deferred Income taxes - current .....	---	---
34	Deferred income taxes - noncurrent .....	---	---
35	(Gain) loss on disposition of property and equipment .....	(76)	(97)
36	(Gain) loss on casino reinvestment obligations .....	2,460	3,522 *
37	(Gain) loss from other investment activities .....	(4,642)	(3,272) *
38	Net (increase) decrease in receivables and patrons' checks .....	(284)	(3,578) *
39	Net (increase) decrease in inventories .....	179	1,057 *
40	Net (increase) decrease in other current assets .....	(1,073)	(1,939) *
41	Net (increase) decrease in other assets .....	28	7 *
42	Net increase (decrease) in accounts payables .....	(5,141)	(1,852) *
43	Net increase (decrease) in other current liabilities excluding debt .....	5,776	5,740 *
44	Net increase in other noncurrent liabilities excluding debt .....	(557)	(67) *
45	Loss on extinguishment of debt, net of income tax benefit .....	---	---
46	Amortization of CRDA assets .....	---	---
47	Net Cash Provided (Used) By Operating Activities .....	42,668	44,340 *

## SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

	<b>Acquisition Of Property And Equipment:</b>		
48	Additions to property and equipment .....	17,293	34,380 *
49	Less: Capital lease obligations incurred .....	---	---
50	Cash Outflows For Property And Equipment .....	17,293	34,380
	<b>Acquisition Of Business Entities:</b>		
51	Property and equipment acquired .....	420	---
52	Goodwill acquired .....	---	---
53	Net assets acquired other than cash, goodwill, and property and equipment .....	---	---
54	Long-term debt assumed .....	---	---
55	Issuance of stock or capital invested .....	---	---
56	Cash Outflows To Acquire Business Entities .....	420	---
	<b>Stock Issued Or Capital Contributions:</b>		
57	Total issuances of stock or capital contributions .....	---	---
58	Less: Issuances to settle long-term debt .....	---	---
59	Consideration in acquisition of business entities .....	---	---
60	Cash Proceeds From Issuing Stock Or Capital Contributions .....	---	---

\*Restated to include Claridge 2002 numbers, see accompanying notes.

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.



# SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE SIX MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	372,354	\$ 14,187		\$
2	Food	1,498,707	19,097		
3	Beverage	5,523,657	11,047		
4	Travel			31,910	2,233
5	Bus Program Cash	673,647	10,093		
6	Other Cash Complimentaries	1,584,108	24,400		
7	Entertainment	43,831	219	4,936	617
8	Retail & Non-Cash Gifts	12,887	781	172,919	6,071
9	Parking				
10	Other *	3,506	105	158,238	1,540
11	Total	9,712,697	\$ 79,929	368,003	\$ 10,461

FOR THE THREE MONTHS ENDED JUNE 30, 2003

Line (a)	(b)	Promotional Allowances		Promotional Expenses	
		Number of Recipients (c)	Dollar Amount (d)	Number of Recipients (e)	Dollar Amount (f)
1	Rooms	187,079	\$ 7,355		\$
2	Food	823,790	10,622		
3	Beverage	2,788,847	5,578		
4	Travel			18,845	1,258
5	Bus Program Cash	388,544	5,737		
6	Other Cash Complimentaries	837,976	12,904		
7	Entertainment	21,601	108	2,313	289
8	Retail & Non-Cash Gifts	7,061	501	84,214	2,851
9	Parking				
10	Other *	1,920	58	75,018	793
11	Total	5,056,818	\$ 42,863	180,390	\$ 5,191

\* No item in this category exceeds 5%.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization and basis of presentation**

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), a wholly owned subsidiary of Park Place Entertainment Corporation ("PPE"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." On June 1, 2001, a subsidiary of the Company, Bally's Skyscraper, Inc ("BSI") purchased the assets and assumed certain liabilities of the Claridge at Park Place, Inc. ("CPPI") and Atlantic City Boardwalk Associates ("ACBA"), and commenced operation of the "Claridge Casino at Bally's." On September 23, 2002, the Company and BSI petitioned the Commission to allow a merger combining BSI with and into the Company. A hearing on the matter was held on December 11, 2002, and the petition was approved by the Commission. BSI was merged with and into the Company effective December 30, 2002. The financial statements for the prior year have been restated to give effect to the merger. BSI was previously accounted for as an investment in subsidiaries using the equity method.

The effect of the combination for the six months ended June 30, 2002 of the Company and BSI are detailed in the following reconciliation:

Net Revenue reported June 30, 2002 – Bally's	\$263,964
Net Revenue reported June 30, 2002 – BSI	<u>72,832</u>
Net Revenue restated	<u>\$336,796</u>
Income from Operations reported June 30, 2002 – Bally's	\$ 62,211
Income from Operations reported June 30, 2002 – BSI	<u>2,789</u>
Income from Operations restated	<u>\$ 65,000</u>
Net Income reported June 30, 2002 – Bally's	\$ 25,603
Net Income reported June 30, 2002 – BSI	150
Elimination of Net Income of Unconsolidated Subsidiary	<u>(150)</u>
Net Income restated	<u>\$ 25,603</u>
Total Assets reported June 30, 2002 – Bally's	\$791,129
Total Assets reported June 30, 2002 – BSI	114,782
Elimination of Investment in BSI	(33,785)
Elimination of Intercompany Accounts	<u>(12,847)</u>
Total Assets restated	<u>\$859,279</u>
Total Liabilities reported June 30, 2002 – Bally's	\$578,382
Total Liabilities reported June 30, 2002 – BSI	80,997
Elimination of Intercompany Accounts	<u>(12,847)</u>
Total Liabilities restated	<u>\$646,532</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

Total Equity reported June 30, 2002 – Bally's	\$212,747
Total Equity reported June 30, 2002 – BSI	33,785
Elimination of Investment in BSI	<u>(33,785)</u>
Total Equity restated	<u>\$212,747</u>

The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations. The accompanying financial statements should be read in conjunction with the Casino Control Commission Quarterly Reports for the year ended December 31, 2002.

All adjustments to the financial statements have been recorded and are, in the opinion of management, necessary for a fair presentation of the balance sheets of the Company at June 30, 2003 and 2002, and its statements of income for the three and six months ended June 30, 2003 and 2002 and its statements of cash flows for the six months ended June 30, 2003 and 2002. All such adjustments were of a normal recurring nature.

**Seasonal factors**

The Company's operations are subject to seasonal factors and, therefore, the results of operations of the six months ended June 30, 2003 and 2002 are not necessarily indicative of the results of operations for the full year.

**Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

**Reclassifications**

The financial statements for the prior year reflect certain reclassifications to conform with classifications adopted in 2003. The change in classifications had no effect on previously reported net income.

**Revenue recognition and promotional allowances**

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food and beverage, and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

In the first quarter of 2001, the Emerging Issues Task Forces ("EITF") reached a consensus on certain issues in EITF 00-22 "Accounting for 'Points' and Certain Other Time-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future." EITF 00-22 requires that cash rebates or refunds as part of a customer loyalty program be shown as a reduction of revenues.

EITF 00-14 "Accounting for Certain Sales Incentives," which is effective January 1, 2002, focuses on the accounting for, and presentation of, discounts, coupons and rebates. EITF 00-14 requires that cash or equivalent amounts provided or returned to customers as part of a transaction should not be shown as an expense but should be an offset to the related revenue. The Company offers cash inducements and match-play coupons to customers to encourage visitation and play at the casino. The adoption of the standards resulted in an addition to promotional allowances (and a corresponding reduction in selling, general and administrative expenses) of \$18,641 and \$16,780, for the three months ended June 30, 2003 and 2002, respectively, and \$34,493 and \$33,096, for the six months ended June 30, 2003 and 2002, respectively.

### **Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

### **Property and equipment**

Property and equipment are stated at cost. Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$10,370 and \$9,720 for the three months ended June 30, 2003 and 2002, respectively, and \$20,614 and \$19,216 for the six months ended June 30, 2003 and 2002, respectively.

<u>Asset class</u>	<u>Life</u>
Buildings	40 years
Building improvements	3-10 years
Furniture, Fixtures and Equipment	3-10 years

### **Long-lived assets**

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Separate intangible assets that are not deemed to have an indefinite life will continue to be amortized over their useful lives (but with no maximum life). The Company was required to adopt SFAS 142 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

In August 2001, the FASB issued Statement of Financial Accounting Standard No. 144, "Accounting for Impairment of Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 supercedes existing accounting literature dealing with impairment and disposal of long-lived assets, including discontinued operations. It addresses financial accounting and reporting for the impairment of long-lived assets, and for long-lived assets to be disposed of, and expands current reporting for discontinued operations to include disposals of a "component" of an entity that has been disposed of or is classified as held for sale. The Company was required to adopt SFAS 144 effective January 2002. Implementation of this standard did not have a material impact on the Company's financial statements.

**Connection Card Program**

During the 2nd quarter 2003, the Company, along with its PPE Atlantic City Affiliates, implemented the Connection Card Program. The Connection Card Program allows players to earn credits that may be accumulated over time and redeemed at their discretion in accordance with the rules of the program at any of the three Atlantic City PPE casinos. We record an estimated liability for the incremental cost of providing goods and services under the program at the time the credits are earned.

**Fair value of financial instruments**

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at June 30, 2003 and 2002.

**Investments in subsidiaries**

The Company has an investment in GNOC, Corp. (which owns and operates the casino hotel resort in Atlantic City known as the "Atlantic City Hilton"). The Company also has investments in two other subsidiaries, Atlantic City Country Club, Inc. and Bally's Land Ventures, Inc. The investments in all subsidiaries are reflected in the accompanying financial statements using the equity method.

**Allocations and transactions with related parties**

The Company transfers cash in excess of its operating needs to PPE on a daily basis. PPE provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other PPE affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Accounting Pronouncements**

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

On January 17, 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. The Company does not believe this provision will have a material impact on the Company's financial results.

**Income taxes**

Taxable income or loss of the Company is included in the consolidated Federal income tax return of PPE. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability or receivable is credited or charged to it's corporate parent. Deferred income taxes and liabilities for temporary differences between the carrying amounts for financial reporting and income tax purposes, if any, are accounted for by PPE in accordance with the tax sharing agreement between PPE and the Company.

**Recent tax legislation**

On June 30, 2003, the New Jersey State Legislature passed a bill to increase taxes on the New Jersey casino industry, beginning with the fiscal year 2004 (starting July 1, 2003). Included in this legislation is a tax on net profits, taxes on certain complimentaries, and increases in parking, rooms and other fees. The Company is currently assessing the impact these taxes will have on its results of operations.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**Casino Reinvestment Development Authority**

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

**NOTE 2 – RECEIVABLES AND PATRONS' CHECKS**

Receivables and patrons' checks as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Casino receivables (net of allowance for doubtful accounts – \$5,630 in 2003 and \$8,055 in 2002)	\$ 6,306	\$ 7,057
Other (net of allowance for doubtful accounts – \$154 in 2003 and \$49 in 2002)	4,358	4,853
Receivable from Sands Hotel and Casino	99	674
Due from PPE	36,864	1,937
Due from Caesars Atlantic City	3,293	3,383
Due from affiliates	3,818	4,102
	<u>\$ 54,738</u>	<u>\$ 22,006</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 3 - INVESTMENTS, ADVANCES AND RECEIVABLES**

Investments, advances and receivables as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Investment in wholly owned subsidiaries (see Note 1):		
Atlantic City Country Club, Inc.	\$ 15,264	\$ 16,246
Bally's Land Ventures Realty, Inc.	14,762	14,342
GNOC, Corp.	<u>66,227</u>	<u>56,140</u>
Total investment in subsidiaries	96,253	86,728
Casino Reinvestment Development Authority		
Investment obligations (less valuation reserves		
of \$17,013 in 2003 and \$14,899 in 2002)	34,749	31,719
Jacobs Family Terrace mortgage receivable		
(less reserve of \$250 in 2003 and 2002)	1,291	1,431
Long-term deposits	73	329
Long-term receivable from GNOC, Corp.		
	<u>380</u>	<u>612</u>
	<u>\$132,746</u>	<u>\$120,819</u>

The Company, GNOC, Corp. and the CRDA entered into a credit exchange agreement and an investment agreement in 1998. The credit exchange agreement permits the exchange of certain current and future CRDA obligations between the Company and GNOC, Corp. resulting in the long-term receivable from GNOC, Corp. The investment agreement provides an investment plan for use of certain current and future CRDA funds.

**NOTE 4 - PROPERTY AND EQUIPMENT**

Property and equipment as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Land	\$ 112,378	\$ 112,379
Buildings and improvements	851,653	801,990
Furniture, fixtures and equipment	281,427	257,513
Construction in progress	<u>5,601</u>	<u>26,046</u>
	1,251,059	1,197,928
Less accumulated depreciation and amortization	<u>(586,147)</u>	<u>(547,763)</u>
	<u>\$ 664,912</u>	<u>\$ 650,165</u>



**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 5 - OTHER ASSETS**

Other assets as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Cost in excess of acquired assets, less accumulated amortization of \$260	\$ 17,581	\$ 17,581
Other	<u>225</u>	<u>248</u>
	<u>\$ 17,806</u>	<u>\$ 17,829</u>

**NOTE 6 - OTHER ACCRUED EXPENSES**

Other accrued expenses as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Accrued payroll and benefits	\$ 29,355	\$ 24,597
Insurance claims	7,166	7,061
Other	<u>11,264</u>	<u>11,919</u>
	<u>\$ 47,785</u>	<u>\$ 43,577</u>

**NOTE 7 - OTHER CURRENT LIABILITIES**

Other current liabilities as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Chip and token liability	\$ 2,824	\$ 2,872
Due to affiliates	2,093	2,886
Other	<u>3,765</u>	<u>2,204</u>
	<u>\$ 8,682</u>	<u>\$ 7,962</u>

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 8 - LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER**

Long-term debt-due to affiliates and other as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Long-term debt due to affiliates:		
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	\$ 33,500	\$ 33,500
8.5% Note payable to Park Place Finance Corporation ("PPFC") due May 31, 2011	50,000	50,000
8.5% Note payable to PPFC due January 1, 2009	<u>500,000</u>	<u>500,000</u>
	<u>\$ 583,500</u>	<u>\$ 583,500</u>
Long-term debt-other:		
Other secured and unsecured debt	<u>\$ 1,558</u>	<u>\$ 1,723</u>

In January 1999, the Company executed a \$500,000 note payable to PPE with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, PPE assigned the \$500,000 note to PPFC. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to PPFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter, the proceeds of which were used in the purchase of assets and assumption of certain liabilities of CPPI and ACBA.

**NOTE 9 - OTHER LIABILITIES**

Other liabilities as of June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Retirement and other employee benefit plans	\$ 1,316	\$ 1,469
Other	<u>594</u>	<u>962</u>
	<u>\$ 1,910</u>	<u>\$ 2,431</u>

**NOTE 10 - CHARGES FROM AFFILIATES-MANAGEMENT FEE**

The Company and PPE have entered into an administrative services and management agreement. Under the agreement, PPE provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays PPE a monthly management fee equal to three percent of revenues, as defined.

**BALLY'S PARK PLACE, INC. (Bally's Atlantic City)**  
**NOTES TO FINANCIAL STATEMENTS**  
**(Unaudited)**  
**(All dollar amounts in thousands)**

**NOTE 11 - NONOPERATING INCOME (EXPENSE) - NET**

Nonoperating income (expense) for the three months ended June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 200	\$ 234
Gain (loss) on sale of assets	(11)	97
Equity in income of unconsolidated subsidiaries	4,338	3,633
Other	<u>225</u>	<u>229</u>
	<u>\$ 4,752</u>	<u>\$ 4,193</u>

Nonoperating income (expense) for the six months ended June 30 consist of the following:

	<u>2003</u>	<u>2002</u>
Interest income	\$ 409	\$ 340
Gain on sale of assets	76	97
Equity in income of unconsolidated subsidiaries	4,642	3,272
Other	<u>451</u>	<u>456</u>
	<u>\$ 5,578</u>	<u>\$ 4,165</u>

# STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.

  
Signature

Controller  
Title

#7091-11  
License Number

On Behalf Of:  
Bally's Park Place, Inc. NJ  
Casino Licensee